



National Audit Office

Local audit in England

Auditor Guidance Note 03 (AGN 03): Auditors' work on value for money (VFM) arrangements

Consultation Response Form

Please respond by 5pm on 2 September 2020

How to respond

1. Use this consultation response form to respond to the list of questions below.
2. When answering the consultation questions, it would be very helpful if you could also provide additional explanation and detail where appropriate, to understand the basis for your comments.
3. You do not need to respond to all the consultation questions set out in this document; we welcome brief or partial responses addressing only those issues where you wish to put forward a view. If there are further observations you would like to make in addition to the questions included in this consultation, however, feel free to include these in your response.
4. Email your response to LACG@nao.org.uk.
5. **We may draw on your responses when explaining how we have acted on the consultation, or if we need to follow up matters raised with some or all other respondents. Therefore, your comments will be regarded as public unless you let us know that they should not be. If so, let us know when you submit your response, whether you consider all or part of your submission to be confidential.**

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Consultation questions

***Question 1** – Do you have any comments on the scope of proper arrangements set out under each of three reporting criteria that auditors are required to report? If you think the scope of proper arrangements could be improved, please provide details.*

The scope of proper arrangements are clear.

On financial sustainability, you may wish to refer to the use of reserves and borrowing in the bullet on “how the body plans finances to support the sustainable delivery of strategic and statutory priorities and maintain services”. Incorporating the terms ‘longer term’ and ‘affordability’ may also be useful in providing context and focus for considering and reporting on arrangements.

On governance, consider extending the reference to scrutiny to include scrutiny of performance.

On Improving economy, efficiency and effectiveness, the reference to evaluating services is right but should there also be an explicit reference to seeking the views of service users, taxpayers and communities?

The 2016 Code of Audit Practice prepared by the Auditor General for Scotland and the Accounts Commission for Scotland uses four audit dimensions for auditors to use when planning and reporting the audit. The dimensions are financial sustainability, financial management, value for money, and governance and transparency. In the local government sector, these four audit dimensions contribute to an overall assessment and assurance on Best Value which is a specific requirement under the Local Government in Scotland Act 2003.

***Question 2** – Do you have any comments in respect of the approach to planning the audit work?*

The indicators of significant risk described at paragraph 20 might be better described as circumstances that give rise to a higher risk of weaknesses in arrangements. Other possible indicators include fraud and S114 notices.

***Question 3** - Do you agree that the characteristics of a significant weakness in the AGN are helpful? If yes, are there any further characteristics of a significant weaknesses that could usefully be included?*

Yes.

A further characteristic might be “exposes – or could reasonably be expected to expose – an individual under the care of the authority, a service user or member of staff to harm”

Question 4 - Do you agree that the examples to help consider whether or not a weakness is 'significant' is helpful? If yes, are there any further considerations to determine when a weakness is 'significant' that could usefully be included?

Yes.

Question 5 - Do you agree that the illustrative significant weaknesses in the AGN are helpful? If yes, are there any further illustrative examples that could usefully be included?

Yes.

In financial sustainability, you may wish to add "financial plans are too short term."

Question 6 – Do you think that the considerations for deciding how to report a significant weakness in arrangements are clearly communicated?

Yes.

Paragraphs 47 and 48 repeat content from AGN7. The content on auditors' additional reporting powers might benefit from being more focussed on the impact on the Auditor's Annual Report when an auditors' additional reporting powers have been used.

Question 7 – Do you think that the expectations set out in the auditor's commentary section on will help audited bodies to get more value out of the work auditors undertake on value for money arrangements?

Yes.

This section could also be used to encourage auditors to take the opportunity presented by VFM work to add value to audited bodies by identifying improvements.

Question 8 – Do you think that the section setting out the approach to subsequent events is clearly communicated?

Yes.

Question 9 – Do you agree with the proposal to maintain the supporting information separately from the statutory guidance set out in the draft AGN?

Yes.

Question 10 - Are there any other ways in which you think that the guidance could be further strengthened or improved?

No.

General Comments

Question 11 - Are there any other ways in which you think that the guidance could be further strengthened or improved?

No.